

SECURITIES  
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FORM X-17A-5  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

BB 3/13

OMB APPROVAL	
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8-53469

REPORT FOR THE PERIOD BEGINNING 01-01-06 AND ENDING 12-31-06  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **CHERRY TREE SECURITIES, LLC**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**301 CARLSON PARKWAY, SUITE 103**

(No. and Street)

**MINNETONKA**

(City)

**MINNESOTA**

(State)

**55305**

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**CARVER MOQUIST & O'CONNOR, LLC**

(Name - if individual, state last, first, middle name)

**3140 HARBOR LANE, SUITE 100, PLYMOUTH, MINNESOTA 55447**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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THOMSON  
FINANCIAL

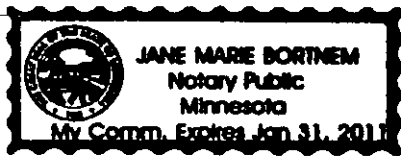
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, Tony Christianson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CHERRY TREE SECURITIES, LLC, as of DECEMBER 31, 20 06, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



[Signature]  
Notary Public

[Signature]  
Signature  
Chairman  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**CHERRY TREE SECURITIES, LLC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**

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# CARVER MOQUIST & O'CONNOR, LLC

Certified Public Accountants and Consultants

## Principals

Kevin E. Moquist, CPA, MBT  
Kevin J. O'Connor, CPA, PFS  
Thomas M. Gearty, CPA  
Jan E. Bjork, JD, CPA  
Timothy K. Thompson, CPA  
Steven R. Kennedy, JD, CPA  
Mark L. Pieper, CPA  
Mark R. Leitner, CPA  
Brian T. Peterson, CPA, MBT

## *INDEPENDENT AUDITOR'S REPORT*

Board of Governors  
Cherry Tree Securities, LLC  
Minnetonka, Minnesota

We have audited the accompanying statements of financial condition of Cherry Tree Securities, LLC (a limited liability company) as of December 31, 2006 and 2005, and the related statements of operations, changes in members' equity, cash flows, and changes in liabilities subordinated to claims of creditors for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherry Tree Securities, LLC as of December 31, 2006 and 2005, and the results of its operations and cash flows for the for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Carver Moquist & O'Connor, LLC*

Plymouth, Minnesota  
February 20, 2007

# CHERRY TREE SECURITIES, LLC

## STATEMENTS OF FINANCIAL CONDITION

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 89,932	\$ 25,971
Accounts receivable (no allowance for doubtful accounts deemed necessary in 2006 and 2005)	76,343	106,568
Loan receivable - related party	126,107	-
Secured demand note receivable - related party	293,000	293,000
Prepaid expenses	10,884	40,255
Other assets - securities not readily marketable	9,286	179
	<u></u>	<u></u>
Total assets	<u>\$ 605,552</u>	<u>\$ 465,973</u>

See notes to financial statements.

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**LIABILITIES AND MEMBERS' EQUITY**

	<u>2006</u>	<u>2005</u>
Liabilities:		
Accounts payable	\$ 35,682	\$ 69,926
Subordinated note payable - related party	293,000	293,000
Deferred revenue	<u>-</u>	<u>10,000</u>
Total liabilities	<u>328,682</u>	<u>372,926</u>
Members' equity:		
Common units (unlimited number of units authorized; 7,500 issued and outstanding)	7,500	7,500
Additional paid in capital	222,610	222,610
Retained earnings (deficit)	<u>46,760</u>	<u>(137,063)</u>
Total members' equity	<u>276,870</u>	<u>93,047</u>
Total liabilities and members' equity	<u>\$ 605,552</u>	<u>\$ 465,973</u>

# **CHERRY TREE SECURITIES, LLC**

## **STATEMENTS OF OPERATIONS**

**Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Revenue	<u>\$ 5,904,105</u>	<u>\$ 2,586,394</u>
Expenses:		
Independent contractors and consultants	3,608,429	1,763,656
Legal and other professional fees	23,809	19,807
Management fees	208,236	206,250
Regulatory fees	8,039	7,282
Administrative expenses	<u>504,901</u>	<u>459,875</u>
Total expenses	<u>4,353,414</u>	<u>2,456,870</u>
Operating income	1,550,691	129,524
Other income (expense):		
Realized gain on sale of securities	28,537	-
Unrealized appreciation on securities	27,684	-
Interest expense	(11,720)	(10,659)
Interest income	<u>8,209</u>	<u>842</u>
Total other income (expense)	<u>52,710</u>	<u>(9,817)</u>
Net income	<u><u>\$ 1,603,401</u></u>	<u><u>\$ 119,707</u></u>

See notes to financial statements.



**CHERRY TREE SECURITIES, LLC****STATEMENTS OF CHANGES IN MEMBERS' EQUITY****Years Ended December 31, 2006 and 2005**

	<u>Common Units</u>		<u>Additional</u>	<u>Retained</u>	
	<u>Units</u>	<u>Amount</u>	<u>Paid in</u>	<u>Earnings</u>	<u>Total</u>
			<u>Capital</u>	<u>(Deficit)</u>	
Balances, December 31, 2004	7,500	\$ 7,500	\$ 280,610	\$ (256,770)	\$ 31,340
Capital distributions	-	-	(58,000)	-	(58,000)
Net income	-	-	-	119,707	119,707
Balances, December 31, 2005	7,500	7,500	222,610	(137,063)	93,047
Capital distributions	-	-	-	(1,419,578)	(1,419,578)
Net income	-	-	-	1,603,401	1,603,401
Balances, December 31, 2006	<u>7,500</u>	<u>\$ 7,500</u>	<u>\$ 222,610</u>	<u>\$ 46,760</u>	<u>\$ 276,870</u>

See notes to financial statements.

# *CHERRY TREE SECURITIES, LLC*

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net income	\$ 1,603,401	\$ 119,707
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Realized gain on sale of securities	(28,537)	-
Unrealized appreciation on securities	(27,684)	-
Changes in operating assets and liabilities:		
Accounts receivable	30,225	(9,735)
Prepaid expenses	29,371	(34,042)
Accounts payable and deferred revenue	(44,245)	5,951
Net cash flows provided by operating activities	<u>1,562,531</u>	<u>81,881</u>
Cash flows from investing activities:		
Proceeds from sale of securities	28,587	-
Purchase of stock warrants	(50)	(25)
Loan receivable - related party	(126,107)	-
Net cash flows used in investing activities	<u>(97,570)</u>	<u>(25)</u>
Cash flows from financing activities:		
Capital distributions to member	(1,401,000)	(58,000)
Net cash flows used in financing activities	<u>(1,401,000)</u>	<u>(58,000)</u>
Net increase in cash	63,961	23,856
Cash, beginning of year	<u>25,971</u>	<u>2,115</u>
Cash, end of year	<u>\$ 89,932</u>	<u>\$ 25,971</u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION</u>		
Interest paid	<u>\$ 11,720</u>	<u>\$ 10,659</u>
Non-cash transactions:		
Distribution of warrants to Cherry Tree Companies, LLC	<u>\$ 18,578</u>	<u>\$ -</u>
Secured demand note and subordinated loan with Cherry Tree Companies, LLC	<u>\$ -</u>	<u>\$ 83,000</u>

See notes to financial statements.

**CHERRY TREE SECURITIES, LLC**

**STATEMENTS OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF CREDITORS**

**Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Subordinated borrowings, beginning of year	\$ 293,000	\$ 210,000
Increases:		
Secured demand note collateral agreements	-	83,000
Decreases:		
Payments of subordinated notes	<u>-</u>	<u>-</u>
Subordinated borrowings, end of year	<u>\$ 293,000</u>	<u>\$ 293,000</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2006 and 2005**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION**

**Nature of Business**

Cherry Tree Securities, LLC (the Company) was formed on July 27, 2001 pursuant to the provisions of Chapter 322B of the Minnesota Statutes and is a wholly owned subsidiary of Cherry Tree Companies, LLC (CTC). The Company is a licensed broker-dealer in securities and provides investment banking services, and general business, merger and acquisition consulting services. The Company is a member in good standing of the National Association of Securities Dealers (NASD), having been accepted for membership on November 14, 2001.

The Company is a member of the Securities Investors Protection Corporation (SIPC). The Company holds no customer securities or cash.

The Company is exempt from the requirements of Rule 15c3-3 of the Securities Exchange Commission (the "Rule"), based on the exemption provisions contained in Section K(2)(i) of the Rule.

**Concentrations of Risk**

Cash Deposits in Excess of Federally Insured Limits

The Company maintains its cash balances in financial institutions located primarily in Minnesota. The balances are insured by the Federal Deposit Insurance Company up to \$100,000. At December 31, 2006, the Company had no uninsured cash balances.

Major Customers

The Company is dependent on a small number of customers for its revenue. Three customers accounted for 74% of revenue in 2006. One customer accounted for 21% of revenue in 2005.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of balance sheet presentation and reporting of cash flows, the Company considers all unrestricted demand deposits, money market funds and highly liquid debt instruments with a maturity of less than 90 days to be cash and cash equivalents.

**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2006 and 2005**

**Securities**

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

**Fair Value of Financial Instruments**

The financial instruments of the Company are reported in the statement of financial condition at market or fair values or at the carrying amounts that approximate fair values because of the short maturity of the instruments.

**Revenue Recognition**

The Company typically earns and recognizes monthly non-refundable retainer fees in connection with active investment banking and consulting engagements. The Company also receives a success fee on its investment banking engagements. However, the success fees are only payable upon the successful closing of each transaction. The success fee typically consists of a cash fee equal to an agreed-upon percentage of the funds raised or percentage of transaction value for mergers or acquisitions and sometimes includes stock warrants which are recorded at fair value when received.

**Trade Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance when potential for recovery is considered remote.

**Income Taxes**

The Company is treated as a partnership for income tax purposes. Therefore, revenues and expenses pass through directly to the members for inclusion in their individual tax returns. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**2 RELATED PARTY TRANSACTIONS**

**Balance Sheet**

As discussed in Note 3, the Company has two secured demand notes receivable with CTC that resulted in a related subordinated note payable to CTC. The collateral on the notes receivable are securities held by the Company in a third party account. CTC retains full legal and beneficial ownership of the collateral. Among other provisions, if at any time the collateral value of the securities is less than the related subordinated obligation, the Company must give immediate written notice to CTC and the NASD. The carrying value of the secured demand notes receivable and related subordinated notes

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended December 31, 2006 and 2005**

payable was \$293,000 at December 31, 2006 and December 31, 2005. The \$210,000 subordinated note payable expires on April 15, 2007. Interest accrues at an annual rate of 4% and was paid through December 31, 2006. The \$83,000 subordinated note payable expires on April 25, 2008. Interest accrues at an annual rate of 4% and was paid through December 31, 2006. Total interest expense in 2006 and 2005 totaled \$11,720 and \$10,659, respectively.

The Company has made a short-term non-interest bearing loan to CTC (parent company) totaling \$126,107 at December 31, 2006. The Company received the full repayment on January 23, 2007.

**Operations**

The Company recorded expenses of \$649,401 and \$710,787 for utilizing office space, staff and office supplies of Cherry Tree Companies, LLC (CTC) in 2006 and 2005, respectively. The Company also paid Cherry Tree Investments, Inc. (CTI) and CTC \$208,236 and \$206,250 in management fees in 2006 and 2005, respectively. Accounts payable at December 31, 2006 included amounts due to CTI totaling \$219.

During 2005, accounts payable included amounts due to CTC of \$22,785. These companies are related to the Company by common ownership.

**3 NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission (SEC) Uniform Net Capital Rule (SEC rule 15c3-1) which requires the maintenance of minimum net capital of \$5,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2006 and 2005, the Company's net capital was \$347,250 and \$239,045, respectively, which was \$342,250 and \$234,045, respectively, in excess of the required net capital of \$5,000. The Company's net ratio of aggregate indebtedness to net capital was 0.1 to 1 and 0.3 to 1 at December 31, 2006 and 2005, respectively.

SEC regulations state that withdrawal of any capital contribution within 12 months of making the contribution must be treated as a loan versus permanent capital for purposes of calculating the regulatory net capital of the firm pursuant to Rule 15c3-1 of the Securities Exchange Act of 1934. In order to stay compliant with such rule, upon obtaining approval from the NASD, the Company substituted a subordinated secured demand note for the cash capital contributed. The subordinated secured demand note dated April 1, 2004 in the amount of \$210,000 is with CTC, the Company's parent, and is secured by cash and public securities. In April 2005, the Company entered into an additional subordinated secured demand note with CTC in the amount of \$83,000 which is also secured by cash and public securities.

**SUPPLEMENTAL INFORMATION**



# CARVER MOQUIST & O'CONNOR, LLC

Certified Public Accountants and Consultants

Principals

Kevin E. Moquist, CPA, MBT  
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Thomas M. Gearly, CPA  
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Mark R. Leitner, CPA  
Brian T. Peterson, CPA, MBT

***INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION  
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE ACT OF 1934***

Board of Governors  
Cherry Tree Securities, LLC  
Minnetonka, Minnesota

We have audited the accompanying financial statements of Cherry Tree Securities, LLC (a limited liability company), as of December 31, 2006 and 2005, and for the years then ended and have issued our report thereon dated February 20, 2007. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules that follow are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Carver Moquist & O'Connor, LLC*

Plymouth, Minnesota  
February 20, 2007



**CHERRY TREE SECURITIES, LLC****COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS  
UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**

	December 31,	
	2006	2005
Computation of Net Capital:		
Total members' equity	\$ 276,870	\$ 93,047
Qualifying subordinated loans	293,000	293,000
Total capital	569,870	386,047
Deductions and/or charges:		
Non-allowable assets:		
Receivables	202,450	106,568
Prepaid expenses	10,884	40,255
Other assets	9,286	179
	222,620	147,002
Net capital before haircuts on securities positions	347,250	239,045
Haircuts on securities	-	-
Net capital	\$ 347,250	\$ 239,045
Computation of aggregate indebtedness:		
Total liabilities from statement of financial condition	328,682	372,926
Qualifying subordinated loans	(293,000)	(293,000)
Total aggregate indebtedness	\$ 35,682	\$ 79,926
Computation of basic net capital requirement:		
Minimum net capital requirement	\$ 5,000	\$ 5,000
Excess net capital requirement	\$ 342,250	\$ 234,045
Ratio of aggregate indebtedness to net capital	.1 to 1	.3 to 1
Reconciliation with company's computation:		
Net capital as reported in company's part II, FOCUS, Form X-17a-5 (unaudited)	\$ 347,250	\$ 239,045
Net audit adjustment	-	-
Net capital per above	\$ 347,250	\$ 239,045

No customer securities transactions were transacted by the Company during 2006 and 2005. However, if such transactions had taken place, a special account for the exclusive benefit of customers would have been maintained. Accordingly, the Company is exempt from the requirements of Rule 15c3-3 of the Securities Exchange Commission based on the provisions of Section K(2)(i) of the Rule.

See independent auditor's report on supplementary information.



# CARVER MOQUIST & O'CONNOR, LLC

Certified Public Accountants and Consultants

## Principals

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Brian T. Peterson, CPA, MBT

## ***INDEPENDENT AUDITOR'S SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5***

Board of Governors  
Cherry Tree Securities, LLC  
Minnetonka, Minnesota

In planning and performing our audit of the financial statements and supplementary schedules of Cherry Tree Securities, LLC (the Company) as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding assets. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(1)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal controls and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding on our study, we believe the Company's practices and procedures were adequate at December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Governors, management, the SEC and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Carver Moquist & O'Connor, LLC*

Plymouth, Minnesota  
February 20, 2007

*END*